

know the drugs are coming in in 5-ton lots. We know the one area of responsibility we have is to control the borders in international drug control. No local government can do that, most certainly, and yet only 3 percent of the budget goes for that.

Mr. DODD. My colleague says we spend about \$2 billion on our borders, as she points out, and on the drug abuse programs, the efforts of local authorities, but it is a fraction. I am not suggesting and I do not think my colleague from California is suggesting we spend all of the money there or even a half of the money there. This is a multifaceted effort.

We have to spend it locally. We have to fight it at the local level. We have to have rehabilitation efforts, drug abuse efforts. We have to be fighting it at the borders of this country, but we also need to go to the source, and we are not going to the source.

Here is a country willing to fight back. Many times we find it difficult to get cooperation from governments. Here is the President of Colombia who was kidnaped and knows firsthand what it is to live under this kind of system, who is coming to us and saying: Look, we are going to put \$4 billion of our own money into this effort. The Europeans are willing to step up. Can you help? The addicted nation, can you help?

Up to this point, this Chamber has said no.

Mrs. FEINSTEIN. I will conclude with one additional comment. Colombia is the source country for 80 percent of the cocaine consumed in this Nation. It is the source country of 70 percent of the heroin consumed in this Nation. It is a country under siege. It is a country where one-third of the geographic area is controlled by narcoterrorists, and it happens to have a government that is willing to stand up and say: We want to do something about it. United States, help us in a multilateral effort do something about it.

This Senate is saying it does not have time to consider the request. It is in our national interest to consider the request. It is in our national interest to have debate on the request. It is in our national interest to appropriate the dollars for this request.

I end by summarizing something Mr. Friedman said in the New York Times:

If we give the Colombian majority the aid it needs to fight the drug Mafia, there is a chance—and it's no sure thing—that it will be able to forge a domestic peace. If we don't—and this is a sure thing—the problem will only get worse, it will spew instability across this region, and the only rain forest your kids will ever see is the Rainforest Cafe.

I thank the Chair, and I yield the floor.

Mr. DODD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. CRAIG). The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. KERREY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. FRIST). Without objection, it is so ordered.

Mr. KERREY. Mr. President, are we in morning business?

The PRESIDING OFFICER. The Senate is in morning business until 2 o'clock.

THE WEALTH GAP

Mr. KERREY. Mr. President, in the debate over tax cuts our attention is understandably drawn to the question of who pays those taxes and from this a debate commonly ensues over who should get the benefits of tax reductions. This argument leads us to consider the disparities of income and the need to make certain that our tax laws are not written so as to increase income inequality and hopefully to write our tax laws in order to give a boost to those whose wages are lower.

Today, I rise to talk about a problem facing Americans that is related to but different from the income inequality. The problem I will address today is the growing gap between the richest Americans and the poorest.

The latest Statistics of Income Bulletin from the IRS shows that the combined net worth of the top 4.4 million Americans was \$6.7 trillion in 1995. In other words, the top 2.5 percent of our population held 27.4 percent of the Nation's wealth in the mid-1990s. No doubt this group of wealthy Americans feels very financially secure.

But what about the other 97.5 percent of Americans? Is the security of wealth spread in a reasonably equitable way across all American households? The answer in my view, is a tragic and emphatic no.

Although there is a perception that the recent rapid growth in the stock market has produced widespread economic gains among all income groups, a majority of households still do not own stock-based assets and, thus, have not participated in the growth of the 1990s economy. A complete picture is presented in the United States Federal Reserve's Survey on Consumer Finances. This report provides us with the following statistics:

Since 1989, the share of net worth owned by the top 1 percent of American households has grown from 37.4 percent to 39.1 percent, while the share of net worth held by the bottom 40 percent of households has dropped from .9 percent to a statistically near insignificant .2 percent.

Nearly 60 percent of the wealth held by families in the lowest 90 percent of the population is in the family home—not liquid assets that can be used as a source of income and security at retire-

ment. Families in the lowest 90 percent of the population had only 3 percent of their assets in stocks and bonds.

While an increasing number of Americans are purchasing stock-based equities—49 percent in 1999 vs. 40 percent in 1995—only 29 percent of households own stock worth more than \$5,000, and the top 10 percent of households in the distribution hold 88.4 percent of the value of all stocks and mutual funds. In fact, the top 1 percent holds 51.4 percent of the value of all stocks and mutual funds—while the bottom 90 percent hold just 11.6 percent of the total value.

These statistics show that the gains of the great 1990s stock market runup have not benefitted a majority of Americans. The gains have not narrowed the gap between the wealthiest in America and the poorest in America. In fact, the data analyzed in a study done by the preeminent wealth statistician, Mr. Ed Wolff, reveals that the wealthiest 10 percent of households enjoyed 85 percent of the stock market gains from 1989 until 1998.

Why should we be so concerned about the growing wealth gap? I believe the answer is that the ownership of wealth brings security to people's lives and because the ownership of wealth opens up new opportunities and because the ownership of wealth transforms the way people view their futures.

An individual with no financial assets—and no means to accumulate financial assets—cannot count on a secure retirement, cannot ensure that his or her future health care needs will be met, and cannot save effectively for important life milestones, such as the purchase of a first home or the funding of a child's college education.

Americans clearly understand and desire the freedom and security that comes with wealth. We can point to the ongoing increase in participation rates in 401(k) plans as evidence that people are concerned about amassing wealth for a secure retirement. We can even point to the continued growing popularity of lotteries and game shows like "Who Wants to Be A Millionaire" as evidence that people value the security of wealth—especially wealth that is acquired quickly.

The virtues of savings and wealth accumulation are clear. But if the virtues are so clear, why aren't more Americans voluntarily increasing their savings? Not a TV show goes by without an advertisement from a financial services company offering investment advice and investment products. Not a week goes by without a front page story about the Social Security funding "crisis"—implicitly warning people to save for their own retirements. So why aren't more Americans saving?

I have identified barriers that I believe continue to prevent a substantial portion of the American population from being able to save, to invest, and to accumulate wealth.

Barrier No. 1 is education.

No single factor is a greater predictor of income and wealth than education. Property educated and trained individuals can command a premium salary because they are in high demand and in short supply. Only one-third of households are headed by someone with a college degree. These households have a median before-tax income of \$55,000 and a median net worth of \$146,400. Households headed by a person with no high school diploma have a median income of \$15,500 and a net worth of \$20,000.

In addition to disparate levels of educational attainment, there is a huge problem in America with a specific lack of investor education. Economics and Finance are not required courses in most school districts across the United States. As a result, too few people understand the magic of compounding interest rates and, as a consequence, wait too long to begin saving for their retirement.

The second barrier is income.

Of course, one of the fundamental rules of wealth accumulation is that you must have income that you can set aside in order to create substantial wealth. A quarter of families in the United States are bringing home between \$10,000 and \$25,000 a year. Forty percent of American households are bringing in less than \$31,000 per year. After FICA taxes of \$2,372 and \$2,600 in Federal and State income taxes, a typical family of four has little left over for savings.

Not only have low and moderate income Americans not shared in the growth of a booming stock market, but they have also not shared in the growth of weekly paychecks. According to the most recent Survey on Consumer Finances by the Federal Reserve Board, mean income grew between 1995 and 1998 only for families headed by individuals with at least some college education—mean incomes for all education groups in 1998 were lower than they had been in 1989. Median income only rose appreciably between 1989 and 1998 for those with a college degree.

When you look at two of the lowest income groups, the story of income stagnation is quite grim. Nearly 13 percent of families earned less than \$10,000 in 1998. The median salary of this group was \$6,200—a real decline of 6 percent since 1989. Nearly one-quarter of families earned between \$10,000 and \$25,000 in 1998. Of these families, the median salary was \$16,900—a real increase of only 2.4 percent since 1989. Clearly, the capacity of this group to save on its own is very limited.

Barrier No. 3 is payroll taxes.

The payroll tax may not seem like much of a barrier to Americans with income over \$100,000, who only have to pay taxes on the first \$76,200 of income, but to American families earning less than \$25,000—40 percent of all house-

holds—it is a tremendous bite. The total payroll tax paid by an individual earning \$25,000 per year and his employer is \$3,825. This is several times greater than their income tax bill. For those who propose spending the Social Security tax surplus to enhance Social Security or Medicare benefits, it is worth noting that the lowest 40 percent of American earners pay more than 40 percent of the benefits for both Social Security and Part A Medicare. And those are the individuals most apt to be uninsured.

Barrier No. 4 is the burden of debt.

Consumer debt has a major impact on a household's ability to save. According to the latest SCF, households earning less than \$25,000 annually bear the most significant burden of debt compared to their income. The median ratio of debt payments to income among those earning less than \$10,000 is 20.3 percent; among those earning \$10,000 to \$25,000, the ratio is 17.8 percent. In fact, 32 percent of those making less than \$10,000 pay more than 40 percent of their income in debt payments, an increase of 16 percent since 1995. About 20 percent of those making between \$10,000 and \$25,000 devote more than 40 percent of their income to debt payments. Finally, 15.1 percent of households with less than \$10,000 of income had debt payments 60 days past due—a doubling since 1995—which not only reflects an inability to keep up with debt payments but also contributes to bad credit and an inability to purchase a future home, etc.

The Federal Government's publicly-held debt also has an indirect impact on the ability of workers to save. As a major borrower, the Federal Government increases interest rates. Higher interest rates lower private capital formation, which in turn hampers growth in productivity and living standards. In addition, higher interest rates on government debt translate into higher interest rates on mortgages, student loans, and credit card debt. When individuals pay higher interest rates, fewer resources are available for saving and investing.

With all of these barriers to wealth accumulation, what can we, as lawmakers, do to eliminate these barriers? I believe the answer is twofold. We must create new savings incentives for low and moderate income workers and we must create a mandatory savings mechanism for all workers.

A number of legislation initiatives have been offered to help low and income workers save. For years, Senator LIEBERMAN has championed an effort to expand Individual Development Accounts beyond a pilot program. IDAs are a way to encourage lower income folks to save for the purchase of a home, the establishment of a business, or education.

President Clinton has offered an interesting plan to get low and moderate

income families to participate in employer pension plans through a government savings match program. While Senators GRAHAM and GRASSLEY and Representatives PORTMAN and CARDIN have offered comprehensive pension reform proposals designed to expand pension coverage among low income workers.

I, along with a bipartisan group of Senate and House Members, have introduced a Social Security reform plan that allows workers to put a portion of their FICA tax dollars into individual savings accounts. Our plan also calls for an additional government savings match program for low income workers. In addition, our plan calls for opening mandatory savings accounts at birth through the KidSave program.

What would this plan do? Fifty years from now we would have a much different wealth distribution situation in America. Men and women who today have no chance of accumulating real wealth would accumulate the kind of wealth that provides them with meaningful financial security. A new generation of Americans would be heading toward their retirement years less dependent on government transfers for health or income. If this plan were enacted, it would immediately change Americans' attitude towards saving on account of informing tens of millions of the power of compounding interest rates.

Sadly, critics of this proposal to help low income workers acquire assets and share in the growth of the American economy too often misdescribe the impact. The key line that is used in opposition is: "I am against privatization of Social Security." This line will usually produce a round of applause with senior groups who would not be affected by any of the proposals. Even sadder, these critics are also the same ones who prefer to merely offer solutions that include transferring more income and thereby increasing dependency on the Government. I do not believe proposals that merely transfer more income will solve the problem of inequitable distribution of wealth.

Ownership of wealth is a much more reliable way of becoming financially secure in old age than promises by politicians to tax and transfer income. Ownership of wealth produces greater independence and happiness. The maldistribution of wealth, the rich getting richer and the poor getting poorer, is not healthy for a liberal democracy and a free market economy such as ours. The costs of financing health and retirement income needs of the baby boom generation exceeds the tax paying capacity of the generations that follow them.

So, Mr. President, after we have spent time debating the need to solve the problem of income inequality we need to turn to the matter of wealth inequality. And when we do we will

quickly learn that we will not solve the problem of the rich getting richer and the poor getting poorer by beating up on the rich. We will solve the problem by lifting the poor out of poverty with programs that enable them to accumulate wealth in a variety of ways including modernizing and improving the Social Security program so that it becomes a means of saving money and a mechanism for transferring income.

I yield the floor.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, I yield 1 minute of my time to the Senator from Idaho.

The PRESIDING OFFICER. The Senator from Idaho is recognized.

AIDAN MICHAEL CRAIG

Mr. CRAIG. Mr. President, at the end of the day, we are going to be adjourning for the Easter recess, or at least that is what is anticipated at this time. This Easter recess is going to be a special time for me because I am going home to Idaho to see a new grandbaby I have not yet seen, except by pictures that have been transmitted through the Internet.

His grandmother has already been out there to hold him in her arms. Both Suzanne and I are extremely excited that our son Mike and his wife Stephanie have provided us with a beautiful new grandbaby called Aidan Michael Craig.

We have already enjoyed the excitement of grandmother and grandfatherhood, and now we have one more extension of that. This coming week, I am going to have that unique privilege that only comes with being a grandparent; that is, to hold that grandbaby in your arms. This Easter recess is a special time for me. I wanted to share with all of my colleagues in the Senate that it will be a joyous time for both me and my wife Suzanne.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. Mr. President, I yield myself such time as I may consume off the time allotted to this side of the aisle. We have 44 minutes remaining; is that right?

The PRESIDING OFFICER. The Senator is correct. The Senator from Iowa is recognized.

REDUCING TAXES FOR MARRIED COUPLES

Mr. GRASSLEY. Mr. President, I take this opportunity, at the start of debate on this important bill to reduce taxes for married couples by eliminating the marriage tax penalty, to give some reaction to comments made from the other side of the aisle yesterday. My reaction probably should have been given last night, but the environment at that time was such that other

Members wanted to speak on issues other than the marriage tax penalty, so I did not take advantage of the opportunity. It would have been more appropriate for me to respond to the Senate minority leader and other Members of the other side of the aisle last night so it would be more in context.

These comments are in regard to our efforts to repeal the marriage tax penalty and also to clear up some of the inaccurate and misleading statements made by the other side of the Senate.

We heard the charge made yesterday by the minority leader that, in passing this bill, we are going to be dipping into the Social Security surplus. Of course, that is going to be the Democratic mantra from now on, even though it is not the truth. Our own budget document is evidence of it not being our intent. Knowing the other side is salivating at trying to make this bogus political charge stick, we have been very careful in making sure we stay within the \$150 billion in tax relief authorized in the budget resolution that will be before us later today in the form of the conference committee report on the budget for the year 2001.

By carefully staying within these limits, we aren't touching one cent of Social Security money. That is important because people know the irresponsibility of Congress from 1969 until the Republican majority of Congress, the first Republican majority in both Houses of Congress in 40 years, finally got the job done of balancing the budget with decisions made in 1997. For the first time in 43 years, we are paying down on the national debt 3 years in a row. The budget we are going to adopt this afternoon for the year 2001 will be the fourth year, and we will be paying down \$177 billion on that off the debt in the budget year 2001.

Regardless of what the members of the other side of the aisle say, this marriage tax penalty bill we are going to pass to reduce taxes for the average married couple by \$1,400, because they will no longer get hit with the marriage penalty, fits into the budget and doesn't use one cent of Social Security money to accomplish our goal of justice for middle-class married families in America.

Now, we also heard the misleading charge yesterday that we in the majority are trying to dictate what amendments the Democrats could offer. All we have been trying to do is to bring some order to this process so we can get this bill, which even the President of the United States says ought to pass. In his State of the Union Message, he asked us to pass a bill eliminating the marriage tax penalty. So, yesterday, they said we were trying to dictate amendments. Well, during that discussion, we asked if second-degree amendments could be in order to the Democrats' first-degree amendments.

We were told absolutely not. So the Democratic side is doing as much dictating as anyone. If we can be accused of complaining about the amendments they want to offer and objecting to it, then they have no right to deny us the opportunity to offer second-degree amendments to their amendments.

In fact, the assistant minority leader stated that his caucus was in lockstep behind the minority leader. Well, that is simply part of the problem. The other side does walk in lockstep against reform in an attempt to paint this Congress as a do-nothing Congress. Funny, isn't it, how when Democrats brag about being in lockstep and unanimity behind their leader, somehow that isn't being partisan. But if Republicans were to vote in lockstep behind our leader, they would say we are being very partisan.

So, again, it seems as if we have a double standard that is not quite justified. Maybe my accusations should be directed more toward the press and media than the other side of the aisle and their statements. But it seems so often if Republicans are together, we are being partisan. But if Democrats are together, they aren't being partisan. As I have followed the stories on this in the press for the last 2 days, I haven't seen any charge of partisanship by the media toward the other side of the aisle. But, boy, I bet we Republicans would be painted as partisan.

Unfortunately, for the other side, this Congress has already made substantial progress and will continue to do so, and they will never be able to label us as a do-nothing Congress. I wish, though, that we had a few independent thinkers on the other side of the aisle, as we do on our side of the aisle, and not the lockstep following of leaders to the extent which it is. All I have to do as a Republican is proudly point out the independence of Senator McCain on this side of the aisle to show that there are Republicans who are independent and do not always follow in lockstep. It would be nice if there were a few "Senator McCains" on the other side of the aisle who were willing to break ranks and be very independent.

A couple of the amendments the Democrats want to offer deal with prescription drugs. Of course, these are political amendments. We Republicans have already set aside \$40 billion in our budget to deal with Medicare and prescription drugs. All we need to do is have people on that side of the aisle—as there are bipartisan Medicare reform proposals with prescription drug provisions in them—get behind some of these bipartisan approaches and get the White House behind them. We will be glad to move on those within the \$40 billion we have set aside in our budget to deal with Medicare reform and prescription drugs because we all know this problem has to be solved. We know